NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

November 22, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Audit Exit Conference – Hinkle and Landers**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.
Document will be provided at the meeting.

B. **Minutes from October 25, 2013**
Draft Minutes.

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

October 25, 2013
9:00 a.m. - 11:00 a.m.

Executive Conference Room
1327 N. Riverside Drive
Espanola, NM 87532

AGENDA

CALL TO ORDER: Tim Vigil, Chair

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. **Discussion of Authorizing Direct Deposit for Certain Vendors**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

B. **Discussion and Review of a Budget Amendment for Fiscal Year 2014 so as to Incorporate the Transportation Alternatives Program (TAP) Federal Funding Award**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager and Stacey McGuire, Projects and Grants Specialist.

C. **Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool**
Sponsor: Anthony Mortillaro, NCRTD Executive Director and Glenda Aragon, Finance Manager.

D. **Discussion and Review of Modification of the Reserve Fund Policy and Long Range Financial Plan – Moderate Scenario**
Sponsor: Anthony Mortillaro, NCRTD Executive Director

E. **Minutes from August 23, 2013 and September 27, 2013**
Draft Minutes.

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Finance Subcommittee

Meeting October 25, 2013

9:00 a.m.

Board Members Present (Telephonically): *Commissioner Miguel Chavez – Santa Fe County (Telephonically), Tim Vigil – Pueblo of Pojoaque (In Person), Philo Shelton – Los Alamos County (In Person)*

Staff Present: *Anthony Mortillaro – Executive Director, Glenda Aragon – Finance Manager, Dalene Lucero – Executive Assistant*

Guest(s) Present*:*

Absent: *Commissioner Barney Trujillo - Rio Arriba County, Leandro Cordova - Taos County,*

Transcribed By: Dalene E. Lucero – Executive Assistant

ROLL CALL

APPROVAL OF AGENDA

CALL TO ORDER

A regular Finance Subcommittee meeting was called to order on the above date by Chairman Tim Vigil at 9:19 a.m.

A. Discussion of Authorizing Direct Deposit for Certain Vendors

Ms. Aragon gave a brief overview on this item. She mentioned that currently the NCRTD is being provided services by a variety of vendors that the District would like to begin implementation of a Vendor Direct Deposit Program. The program allows for specified vendors to elect to receive an Automated Clearing House (ACH) payment for services provided to the District. She went on to note that there are many advantages that the District can benefit from by the implementation of this program.

Ms. Aragon stated that the District wanted to implement a Vendor Direct Deposit because Electronic Payments are much safer and more secure, allowing the District to be more efficient and timely in its accounts payable processes.

Ms. Aragon referenced page four (4) of the Finance packet, giving a brief overview of the recommended vendors/groups for direct deposit with the highest monthly payments. She then went on to page five (5).

Mr. Vigil referenced the list of vendors, and asked that if the finance subcommittee would only be approving the vendors on the listing and if new vendors after the meeting had to be approved again.

Ms. Aragon stated that the listing was only an example, and that the Finance Subcommittee was generally approving the Authorization of Vendor Direct Deposit program.

Commissioner Chavez asked Ms. Aragon to review the vendor categories again.

Ms. Aragon repeated the categories as directed.

Commissioner Chavez asked whether or not the categories would be expanded.

Ms. Aragon noted that a miscellaneous category may be added later.

Mr. Mortillaro mentioned that this will further expedite the process because certain vendors over $20,000 require two signatures. However, he noted that Ms. Aragon would ensure that back-up documentation was kept on hand for audit purposes and for prevention of fraud.

Further discussion went on further regarding this item.

Commissioner Chavez made a motion to recommend that the Board of Directors consider the implementation of the Vendors Direct Deposit program. Mr. Shelton seconded the motion and it passed by unanimous voice vote (3-0).

B. Discussion and Review of a Budget Amendment for Fiscal Year 2014 so as to Incorporate the Transportation Alternatives Program (TAP) Federal Funding Award

Ms. Aragon gave a brief overview on this item noting that a Resolution was required in order to amend the FY14 budget and incorporate the recently awarded Federal TAP funding. She noted that the Federal TAP funding was preliminary awarded at the NPRPO meeting on September 25, 2013, with NMDOT approving the official award amount on October 2013. Ms. Aragon went on further to state that the Board of Directors approved Resolution No. 2013-25 authorizing staff to submit an application for this funding at the October 4, 2013 meeting. The NCRTD applied for TAP funding to develop an ADA (American's with Disabilities Act) Transition Plan in relation to bus stops and shelters, and to subsequently design, plan and construct the modifications recommended within the plan.

Commissioner Chavez asked Ms. Aragon to further explain the project estimation/allocation of the TAP funds.

Ms. Aragon referenced page eight (8) of the packet stating that $62,500 would be allocated to Environmental/Planning; $15,000 to Design; $10,000 to Preliminary Engineering; and $96,766 to Construction. She proceeded to state that the Request for Federal TAP totaled $157,437 and the NCRTD match GRT totaled $26,829.

Mr. Shelton asked if the local match was coming out of reserves.

Mr. Mortillaro stated that it was.

Mr. Shelton recommended that staff clarify that the local match was coming out of reserves when presented to the Board.

Ms. Aragon noted that the funds listed are only estimated at this point and time, stating that the District has only received verbal confirmation of receipt from Federal TAP funding for FFY14, and are awaiting a formal award letter. She went on stating that the District may be awarded additional funds.

Further Discussion went on in regards to this item.

Mr. Shelton made a motion to recommend to the Board a Resolution amending the budget and to increase the expense line item by $184,266 for FY14 Budget, and to increase revenues by $157,437 and a match of NCRTD GRT in the amount of $26,829 for the acceptance of Federal TAP funding for FFY14 (and FF15). Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

C. Discussion and Review of Investment of District Funds into the Local Short-Term Investment Fund in the State of New Mexico Local Government Investment Pool

Ms. Aragon gave a brief overview on this item. . She noted that On October 10, 2013 the Finance subcommittee and RTD Staff met with the New Mexico State Treasurer's staff members to review the possibilities for participation in LGIP for the District. In brief the meeting was productive and gave the committee an idea of what LGIP had to offer. LGIP is a tool local governments and districts can utilize for short term investments as an alternative to less risky investments such as CD's and Treasury bills. The State Treasurer has particular types of investments that establish certain prerequisites, limitations and other requirements related to those investments. Moreover, the State Treasurer may further limit or restrict those investments. The securities that the LGIP buys all provide a yield relative to the federal funds rates.

Ms. Aragon then referenced page fourteen (14) of the packet, stating that currently the LGIP % of the pool investments maturities are as follows: 34% in Over Night; 14% in 1 month; 29% in 1-3 months; 5% 3-6 months; 6% 6-9 months; and 12% 9+ months. She then moved on to state that majority of the Securities Holdings are tied into the US Government holdings which inherit their safety. The Securities/Holdings are as follows: 19%-Treasury; 41%-Agency; 2% FDIC Insured; 6% Supranational; 0% Corporate; 32% Overnight Bank Deposits; and 0% Repo.

Ms. Aragon went on to stat that the LGIP did disclose to the District that their annual rate of return is close to .18% - .21% with the fee of 5 basis points which is included in the annual yield.

Ms. Aragon asked if Mr. Vigil or Commissioner Chavez wanted to comment on the meeting that was held with the State Treasurers Office.

Commissioner Chavez stated that the discussion was very positive and informative. He also stated that he liked the conservative approach of the LGIP.

Mr. Shelton asked if reserve deposits would be invested in the LGIP.

Mr. Mortillaro responded, stating that reserve deposits would be invested in the LGIP.

Ms. Aragon proceeded to state that staff has conducted research on alternative investments as directed by the Finance Subcommittee that carry a higher yield and that complies with NCRTD investment policy. Alternatives to LGIP investments would be to have the District invest in simple secured assets such as Certificate of Deposits through a Federal insured institution (Bank), and extend the term of the investment, that would not create an extended amount of staff time and thus eliminating the use of a portfolio manager to manage the assets. The extension of the term would also restrict the district in utilizing the funds immediately (24 to 48 hours) as offered with LGIP. She went on stating that the District could also purchase T-Bills through auction.

Ms. Aragon then handed the presentation off to Mr. Mortillaro. Mr. Mortillaro made reference to the Investment Allocation table that was handed out and referenced the breakdown of the District's planned investments. He stated that 28% would be invested in LGIP, which has a high liquidity and a 24-48 hour availability; this investment would total about $1,901,293. Mr. Mortillaro went on to state that only 60% would be invested short term in CD's or T-bills that are 12 months or less in term, which totals $4,074,199. He continued stating that 12% would be invested in the Savings/Checking accounts which would total about $814,000, and will grow with deposits of monthly revenues.

Mr. Mortillaro asked if the Finance Subcommittee was comfortable with those percentages.

Mr. Shelton suggested that the CD's be staggered for more flexibility.

The Finance Subcommittee agreed.

Further discussion went on with this item.

It was recommended that the Finance Committee discuss and review the information presented by LGIP and NCRTD staff as to diversification of investments such as CD's and treasury bills. The staff further recommends that the funds be diversified based up the general following percentage allocates:

1. Liquidity/availability within 24-48 hours at 40% of available funds (savings, checking and LGIP);
2. 60% of available funds in CD's or T-bills that have a higher yield and the same security but less liquidity and a term of 12 months or less.
3. The specific breakdown would be as follows:
    - Savings and Checking account LANB at 12% of budgeted revenue with collateralization at no less than 100% of current market value. State law requires at least 50%.
    - LGIP investment pool at 28% of available funds.
    - CD's and Treasury bills at 60% of available funds.

It was further recommended that the Finance Subcommittee recommend that the Board of Directors consider passage of a resolution authorizing application to the Local

Government Investment Pool (LGIP) for participation, certifying the Finance Director of the NCRTD, through the Executive Director as authorized signatories to conduct transactions in respect to the LGIP.

Mr. Shelton made a motion to recommend staff's recommendation to the NCRTD Board of Directors. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

D. Discussion and Review of Modification of the Reserve Fund Policy and Long Range Financial Plan – Moderate Scenario

Mr. Mortillaro gave a brief background on this item stating that the Finance Subcommittee had discussed the District's reserves at the prior meeting. He noted that the District's reserves have grown substantially.

Mr. Mortillaro referenced an additional handout regarding the District's reserve summary. He went on to explain the document further, stating that in FY 10, the District was only slightly above the reserve level requirement by about $50,000. He then moved on to FY11 stating that the reserve level requirement was about $2.6 million and the District's reserve levels were about $1.2 million above what was required. Mr. Mortillaro proceeded to FY12, stating that the reserve levels dropped about $2.2 million, stating that they dropped due to additional building and construction costs. He went on, stating that in FY13 the reserve level requirement was about $2.1 million, and what is in the bank at this time is about $6.7 million. Mr. Mortillaro noted that these were unaudited numbers at this time. He stated that the reason why the reserve levels have doubled, is that the District has really cut back spending, which generated over $900,000.

Mr. Mortillaro noted that he was not going to go over the Long Range Financial Plan. However, he wanted to include the document in the packet to ensure that all Finance Subcommittee members had a copy.

Mr. Mortillaro went on to reference page thirty-eight (38) of the Finance Subcommittee packet and explained the document further stating that the Moderate Case Scenario calculated up to 2024. He then went over the document in greater detail.

Mr. Shelton asked what the fares were that Mr. Mortillaro included in the Moderate Case Scenario, because the District did not charge fares.

Mr. Mortillaro replied, stating that fares were only charged for demand services.

Commissioner Chavez questioned whether or not the District had a plan to start charging fares for services.

Mr. Mortillaro noted that the District's free fare policy is revisited every two years, as well as the long term service plan that is currently being updated. He mentioned that there is some discussion regarding charging for services. Mr. Mortillaro stated that fares will generate about $200,000, in which the District will only receive about 1/3 of it.

Commissioner Chavez mentioned that he liked that fact that the District's services were free. However, he expressed concern as to how long the District would be able to afford that.

Mr. Mortillaro stated that the District's financial picture was looking good at this point and time.

Further discussion went on regarding this item.

Mr. Mortillaro then referenced the Reserve Fund Policy, starting on page sixty-three (63) of the packet. He stated that there were some minor changes and insertions, in which he went over briefly. Mr. Mortillaro proceeded to page sixty-eight (68) of the document, noting the additions to the policy as follows:

a) Reserve for Operations (budget stabilization): It is the goal of the Board of Directors to annually direct 15% of the unrestricted reserves into this fund to meet unexpected decreases of more than 5% in the levels of total revenues and subsidies, as well an unexpected increases of more than 5% in total operating costs such as unanticipated and unbudgeted increases in fuel costs or other operating materials that cannot be rebalanced within existing budgeted resources in any given year in order to protect against reducing service levels when these fluctuations occur. This reserve will be maintained at a maximum of twenty percent (25%) of the annual operating revenues.

b) Reserve for Capital and Capital Replacement: It is the goal of the Board of Directors to annually direct 5% of the unrestricted reserves into this fund. In addition revenues from the sale of surplus property or fixed assets will be directed towards this reserve fund. This reserve fund will provide the District with funds to meet matching requirements or non-matched purchases for fleet replacement, new fleet and replacement or acquisition of fixed assets. This reserve will be maintained at a maximum of ten percent (10%) of the annual operating revenues.

c) Reserve for Service Enhancements: This fund will be developed to build up fiscal resources in anticipation of future service enhancements. The intent is to build up a reserve of operating funds before potential service enhancements would be enacted in order to smooth the impact on the operating budget of a higher level of service and operating costs. When the Board has authorized existing service enhancements or new service enhancements then the Resolution approving such may also include the authorization to use this reserve fund for that purpose as required by section "E" below. The targeted balance of this reserve fund should be sufficient to cover operating expense of the proposed service enhancement for a three-year period.

d) Reserve for Debt Service: When the District issues debt this reserve will be funded through bond proceeds equal to the highest year debt service obligation of the District. These funds are held by the trustee for payment of related debt service.

e) Approval for Use of Reserve Fund: Each proposed use of the reserve fund will be subject to Board approval. For each use of the aforementioned reserve funds, the Board will approve a resolution which will describe the need to use the reserve fund, and the uses for which reserve funds will be expended. By Resolution of the Board the Board upon

recommendation of the Executive Director may consider the modification of the allocations herein in order to avoid any service reductions.

Further discussion went on regarding this item.

Mr. Mortillaro stated that if the District was able to afford it, he'd like to have a higher reserve balance due to the economy being unpredictable.

Mr. Vigil asked if there was any additional questions.

Mr. Mortillaro asked if the committee would like to keep the Capital Reserve balance maintained at 10% or if they'd like to increase it to a minimum of 15%.

Mr. Shelton stated that it seems as though that is where the District would need additional funding to draw from.

Mr. Vigil asked if the Finance Subcommittee wanted to amend the capital reserve be increased to 15%.

Mr. Shelton asked if Mr. Mortillaro felt comfortable with that.

Mr. Mortillaro said he did.

Mr. Vigil also agreed that the capital reserve be increased to 15%.

Mr. Mortillaro asked if the annual amount of 5% was sufficient.

The Finance Subcommittee agreed.

It was recommended that the Finance Subcommittee Review and recommend to the Board adoption of the revised Reserve Fund Policy as amended.

Mr. Shelton made a motion for recommendation to the Board of Directors, the Reserve Fund Policy as amended. Commissioner Chavez seconded the motion and it passed by unanimous voice vote (3-0).

E. Minutes from August 23, 2013 and September 27, 2013

Mr. Mortillaro asked the Finance Subcommittee to review and approve the meeting minutes from August 23rd and September 27, 2013.

Commissioner Chavez made a motion to approve the minutes as presented, Mr. Shelton seconded the motion and it passed by unanimous voice vote (2-0).

MATTERS FROM THE SUBCOMMITTEE

Mr. Mortillaro passed out an additional handout regarding the Allocation of Gross Receipts Tax for FY12, FY13 and FY14. He proceeded to explain the item further.

Mr. Mortillaro then passed out the District's Annual Summary report which reflected the NCRTD Revenue and Expenses by Sources as of June 30, 2013.

ADJOURN

The Finance Subcommittee meeting was adjourned at 11:00 a.m.

The next Finance Subcommittee meeting will be held on November 22, 2013 at 9:00 a.m. to conduct the closeout of the annual audit.